

**Study on results and impact of implementation of Local Economic Development Plans in Azerbaijan in 2019-2020**

September 2020

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# Introduction

The overall objective of the Mayors for Economic Growth (M4EG) EU Initiative is to support local authorities (LAs) in stimulating economic growth and job creation. The main objectives of the Initiative are to encourage and support local authorities of the Eastern Partnership (EaP) countries in design and implementation of Local Economic Development Plans (LEDPs) and to develop technical skills and capacity of local authorities in LEDPs implementation in line with good governance principles.

The study is **aiming** at providing some more general aggregated information and deeper understanding on the results and the impact of implementation of the Plans through collecting information among the signatories.

Interviews were conducted with the representatives of the Initiative participants / signatories. 20 signatories from Azerbaijan participate in the project, but only Kapaz municipality of Ganja city and the Administration of the State Historical and Architectural Reserve Icherisheher are implementing their Local Economic Development Plans. Annex 1 contains a list of respondents, contact information, and interview dates. The Kapaz Mayor's office is a local self-government body, and the Historical and Architectural Reserve Icherisheher is a structure of the central government. Thus, the respondents represented different branches of government.

Interviews were conducted with the help of ZOOM. Transcripts of interviews were sent to the Secretariat of the Initiative and to the respondents. Based on the interviews, short reports were compiled and also sent to the Secretariat and respondents. These reports can serve as a guide for each signatory in the further development and implementation of their LEDPs.

The study was conducted on August 10 (Kapaz) and August 11 (Icheri Sheher), 2020. The interview consisted of 2 parts and included 10 questions. A list of questions is provided in Annex 2. The average survey duration was 1 hour. The Local Economic Development Officer (LEDO) answered the questions on behalf of the Kapaz Mayor's office. There were 2 representatives of the Icherisheher Administration at the interview (Director of the Scientific and Cultural Department and Local Economic Development Officer). Only one representative answered questions, mostly on his own behalf, while the LEDO remained silent. The survey was conducted with the Kapaz LEDO in Russian, and with the Icherisheher Administration in English.

Each interview was based on the individual LEDPs, more specifically on action plans and tables with monitoring indicators, and individual reports on the implementation of the LEDPs as of July 2020. The expert conducting the survey and the respondents being interviewed had these documents at their disposal during the conversation. The answers of respondents were compared with the information in the documents and, if necessary, clarified during the interview. The survey covered the overall results on the following topics:

* The perception of what and how local authorities can do in order to stimulate local economic growth.
* The impact of participation in the M4EG Initiative on the public-private dialogue and interaction with civil society.
* The impact of participation in the M4EG Initiative on the capacity of the municipal staff to analyze local economic development issues and plan respective activities.
* Learning about successful tools and approaches of stimulating LED in other municipalities of the country, or in other countries.
* Establishing friendly or partner relations with other M4EG members (experts, trainers, etc.).

Regarding specific outcomes and results, respondents were asked to evaluate the following:

* Their biggest achievements in implementing the Local Economic Development Plan.
* The biggest challenges / failures in implementing the LEDP (apart from the delays and disruptions caused by COVID-19 pandemic).
* The probability of achieving the major objectives of the LEDP within the remaining implementation period of the LEDPs.
* The main positive things they have learnt while planning and implementing measures for stimulating local economic growth.

The respondents could also make comments and recommendations.

This report is aggregating the main results of the interviews made in Azerbaijan. Similar reports will be issued on the other EaP countries. The reports will be available on the M4EG website.

# 1. General outcomes and results of participation in the M4EG Initiative

The purpose of this part of the survey is to collect information and evaluate the general outcomes and results of participation in the Initiative on the topics listed in the Introduction.

## 1.1. The impact of participation in the M4EG Initiative on the perception of what and how local authorities can do in order to stimulate local economic growth.

Representatives of Kapaz municipality and the Icherisheher Administration gave completely opposite answers.

**Kapaz**

*"Previously, we took our last year's development plans, changed something and rewrote them for the next year, without leaving our offices.* [*Participation*](file:///%5C%5C%D1%83%D1%87%D0%B0%D1%81%D1%82%D0%B8%D0%B5) *in the Initiative became a breakthrough for the Kapaz Administration and showed that the Local Economic Development Plan should be drawn up in cooperation with business and civil society based on the needs of people and should address them. Therefore, we consulted with them on every step we took. Such an approach was applied both during the LEDP development and implementation. ... At the Mayor's office, we also realized the importance of collection, processing and quality of statistical data."*

**Icherisheher**

*"We expected something different from the project. Of course, it's good that we were shown how to identify weaknesses and develop the LEDP. However, there may be 2 approaches: 1) show me the problem and we will find the solution together and 2) show me the problem and find the solution, and we will watch you. In our case, the second approach was used."*

The Administration of Icherisheher does not deny the fact that the employees have attended the seminars and training on analysis and development of the LEDP, but they have received much less support in solving the existing problems of their territory. According to the participant, the Administration also expected financial support from the EU.

*"We participated in the call for interest, but we did not receive a grant, and if we had been supported, we might have received it… We had the understanding that we should create jobs and conduct additional activity, but we did not receive the proper expert support from the European experts. We are unique, we are a town within the city. I can do the economic analysis myself, but I'm also interested in learning the external experience adapted to our situation. I expected to learn such an experience, but my expectations were not met."*

**These words indicate that this signatory had high expectations, which may have arisen from not entirely clear understanding of the project's objectives and the signatory's role in it, as well as the mechanisms of working with participants and the condition for receiving a grant, or are an emotional statement of the respondent reflecting regret about not receiving the grant.**

## 1.2. The impact of participation in the M4EG Initiative on the public-private dialogue and interaction with civil society.

Participation in the Initiative was useful for both signatories. Both participants established a dialogue with the business community and non-governmental organizations. **In both cases, participation in the M4EG helped to initiate such a dialogue, which had not been in place before that.**

Kapaz municipality has established partnerships with government agencies such as the Small and Medium-sized Business Support Agency, the Tourism Development Agency, the Agrarian Academy, the Business Association, and the International Regulatory Network REG NET.

*"Before joining the M4EG Initiative, we knew that there were such agencies, but the strategic objectives were not identified and formulated, so we did not cooperate with them. In the course of our cooperation, we arranged regular meetings with non-governmental organizations (since recently, online). For developing the LEDP, we established a working group of 13 persons on the basis of the public-private partnership."* (Kapaz)

*"We have established a dialogue with civil society and the business community and found it really useful. We established a working group that included businessmen and got interested in their needs. This helped us to understand their problems and to some extent contributed to their better day-to-day operation. Previously, we were not the first to take the initiative. We met with businesses only if they asked for that themselves. When we started visiting them and learning about their problems, we also began to think of the ways to address them"* (Icherisheher).

## 1.3. The impact of participation in the M4EG Initiative on the capacity of the municipal staff to analyze local economic development issues and plan respective activities.

For Kapaz municipality, participation in the Initiative has proven to be useful and has changed the understanding of the core of local economic development. Now, the Mayor's office is putting the feasibility of projects at the forefront.

*"Now, when people come to us with proposals and initiatives, we ask how our municipality will benefit from it* *first of all. For example, people did not like the fact that when it’s windy, the plastic bags fly and hang in the trees. There was a proposal to create a production of paper bags. We applied to the Ministry of Finance and received 195 thousand manats for purchasing equipment. This will be the first municipal enterprise that will create 10-15 jobs. The environmental problem will be solved as well. This was not part of our LEDP, but this is how the Initiative taught us to make decisions." (Kapaz)*

On the other hand, the respondent of Icherisheher believes that information received during the trainings and seminars was insufficient.

*"We’ve got some knowledge on how to develop the LEDP, but received no other support. The support was limited only to the participation of my colleagues in several seminars."*

**During the conversation with this respondent, it seemed that he did not quite clearly understand the objective of the project and the role of the signatory in the Initiative, and had some high expectations. However, even in this respect, the respondent from Icherisheher does not deny a certain influence of participation in the M4EG Initiative on the local economic development planning capacity.**

1.4. Learning about successful tools and approaches of stimulating LED in other municipalities of your country, or in other countries.

At the beginning of the interview, the respondent from Icherisheher indicated that they had not received any additional knowledge, but then it turned out that during their visit to Kiev, they learned the experience of Ukraine, Moldova and Belarus and met with the representatives of the EU CoM (Covenant of Mayors) project. They also established good relations not only with the representatives of the EU institutions, but also with the Azerbaijanian municipality of Kapaz, which had not been the case before. The staff was involved in routine work at the international level (e-mailing, negotiations with foreign representatives, etc.), which according to the respondent was useful.

Based on the above, we can conclude that a certain experience was obtained, but the respondent does not rate it high. This response also indicates that the Icherisheher Administration sees its role in the Initiative as passive. **The answers given by the respondents illustrate the fact that, unlike the Administration of Icherisheher, the municipality of Kapaz has a higher level of independence in decision-making and the powers, including those related to the finances.**

At the same time, the Kapaz LEDO expressed a completely different opinion on this issue. *"We learned about the concept and use of added value in tourism, how to implement it and what needs to be done."*

The experience of holding the festival in Bolnisi (Georgia) was useful for Kapaz municipality. Later, the Kapaz Mayor's office organized a similar festival, where business representatives were able to establish business contacts. This example shows the proactive position of the municipality and a clear understanding of its role as a catalyst for partnership and local economic growth.

## 1.5. Friendships or partnerships with other M4EG members (experts, trainers, etc.).

The Kapaz representative has a good business relationship with the M4EG Secretariat. The Mayor's office also tried to establish cooperation with the Georgian office of the EU energy saving project, but it was suspended. Similarly, the Administration of Icherisheher indicated that they had established links, but there was no real cooperation. **It is difficult to assume whether the established relations will work in the future. None of the respondents mentioned the established contacts with trainers and experts and feedback from them.**

# 2. Specific outcomes and results of the LEDP implementation process

This section aims to evaluate the specific outcomes and results of participation in the Initiative on the topics listed in the Introduction.

## 2.1. The biggest achievements in implementing the Local Economic Development Plan.

Kapaz municipality assesses the following activities as the biggest achievements so far in implementing the LEDP:

* Creation of promo videos for 1) baklava, 2) teahouses and 3) attractions of Ganja and Qazakh districts.
* Creating the web-page and the GPRS route "Paths of the Lesser Caucasus".

*"These products are very important for attracting tourists to the municipality and developing this destination."*

* Creating an electronic platform for farmers and an agricultural calculator.

*"These are very important services for local farmers."*

The Administration of Icherisheher considers as most successful the creation of additional places for storing and selling souvenirs (13 stores) and in cleaning and infrastructure support (7 jobs) within the largest city project "the Baku Khans' Park". **It should be noted that despite the initially passive role, the Administration still created new jobs.**

## 2.2. The biggest challenges / failures in implementing your LEDP (apart from the delays and disruptions caused by COVID-19 pandemic).

* It was not possible to include agricultural machinery/combines in the platform, because they could not get information from the centers of agricultural development. The center did not provide it.
* We wanted to create routes for tourists from Baku to Batumi via Ganja with 2-3 day stops in various destinations in Azerbaijan and Georgia, but we failed to do so because of the pandemic.

The Administration of Icherisheher noted that there were no major problems with the implementation of the Plan. Although, in practice, all the activities specified in the LEDP of the Icherisheher Historical and Architectural Reserve were related to tourism and were suspended due to the pandemic. Only one of them was completed on time, see paragraph 1.

## 2.3. The probability of achieving the major objectives of the LEDP within the remaining implementation period of the LEDPs.

* 60-70% (in Kapaz).
* Low probability (in Icherisheher).

## 2.4. Benefit of information about planning and implementing measures for stimulating local economic growth obtained during participation in the Initiative.

During the participation in the Initiative, the Kapaz municipality representatives have:

* learned what is the value chain in tourism industry;
* received information about agricultural problems in the municipality;
* learned about the needs of small and medium-sized businesses: where to start and to invest. During this cooperation, the Mayor's office contacted agencies and conducted trainings for small and medium-sized businesses.

The Icherisheher Administration has learned about the need for establishing the public-private dialogue to promote local economic development.

Despite the dissatisfaction with the project expressed at the very beginning of the interview, it became clear at the end of the interview that participation gave the Administration an understanding of the need to create a partnership with the business community and the population – a fundamental condition for local economic development.

*"We learned about the problems of the business, and it made us reconsider our vision."*

## 2.5. Comments and recommendations.

The response of the Icherisheher Administration indicates that participation in the Initiative has made them to reconsider their position.

*"Next time, I would switch from expectations to a proactive approach. I would contact (the M4EG Initiative), share my problems and needs, and ask for support. It's one thing to expect support, but it's another thing to ask them to send their experts to show how to do this and that. This will be my approach next time... It should be noted that each country should receive at least one grant, and before that, municipalities (grant applicants) should get support in applying for the grant."*

Azerbaijan is the only country which participants have not won any grant, and the indignation on the part of its representatives is quite understandable. The above quote implies that the respondent from Icherisheher does not understand that participation in the Initiative is a prerequisite for applying for but does not guarantee the receipt of a grant. **In the future, as part of the work with the signatories, it would be advisable to conduct trainings on drafting project proposals for EU grant applicants.**

# 3. Overall conclusions

Despite the fact that there are 20 signatories in Azerbaijan, only 2 of them are active. Accordingly, the impact of the Initiative on its participants is assessed only on the basis of interviews with the representatives of the two signatories who implemented the Plan.

During the interview, it became clear that the Icherisheher Administration was passive and had high expectations about receiving the EU grant. Consequently, the Administration of Icherisheher assessed the role of the Initiative in changing the perception of what local authorities can do in order to stimulate local economic growth as insignificant.

In both cases, participation in the Initiative marked the beginning of cooperation with the business sector and non-governmental organizations, which had not been in place before that. Kapaz municipality has also established cooperation with organizations of the central government. Both respondents spoke about the need to expand the public-private dialogue to promote local economic development.

For Kapaz municipality, participation in the Initiative has changed the understanding of the core of local economic development. Now the municipality is putting the feasibility of projects at the forefront.

The respondent of Icherisheher believes that information received during the trainings and seminars was insufficient. However, even in this respect, he does not deny the fact that the participation in the M4EG Initiative had an impact on the local economic development planning capacity. At the same time, the Administration of Icherisheher managed to create conditions for new jobs. Based on the above, we can conclude that a certain experience was obtained, but the respondent didn't not rate it high.

None of the respondents mentioned the established contacts with trainers and feedback from them. Kapaz municipality positively assessed the cooperation with the Project Coordinator for Azerbaijan and Georgia.

Both respondents would like to learn more about the European experience.

Despite the initial passive position of the Icherisheher Administration, the Initiative has still effected the awareness of its role as the respondent stated that in the future it will change its position to proactive.

## Recommendations:

* As a result of participation in the Initiative, the surveyed signatories have established the public-private partnerships to some extent. It is important to work on preserving and expanding these partnerships in the next phase of the Initiative.
* In the future, it will be important that the practice of creating and implementing Local Economic Development Plans continues. This will give the participants a sense of continuity and consistency of the Initiative. Otherwise the participants may also feel that the first phase of the project was not successful.
* In the future, as part of the work with the signatories, it would be advisable to conduct trainings on drafting project proposals for EU grant applicants.
* The signatories need help in formulating the needs of their municipalities for specific types of support from the Initiative in order to have adequate expectations from participation in the Initiative.
* In the future, it is advisable to take into account the peculiarities of local economic development of agricultural and urban municipalities separately.
* It will be useful to expand the process of gaining experience from European colleagues, as well as other participants of the Eastern Partnership.

# **Annex 1. List of questions posed to the Local Economic Development Officers within the interview**

*Part I. General outcomes and results of participation in the M4EG Initiative*

1. Has being an M4EG member changed your perception of what and how local authorities can do in order to stimulate local economic growth? Explain your answer.
2. Has the participation in the M4EG Initiative influenced the state of the public-private dialogue and interaction with civil society in your municipality? How? Have you built any new local partnerships? Give examples.
3. Has the participation in the M4EG Initiative influenced the capacity of the municipal staff to analyze local economic development issues and plan respective activities? How? Give examples.
4. Has being an M4EG member helped you learn about successful tools and approaches of stimulating LED in other municipalities of your country, or in other countries? Give examples.
5. Have you built any friendships or partnerships with other M4EG members (experts, trainers, etc.), which you have used in your work afterwards? Give examples.

*Part II. Specific outcomes and results of the LEDP implementation process*

1. Name your biggest achievements so far in implementing your LEDP (name activities or objectives). Support this claim with measurable numbers. Explain why they are important for your municipality.
2. What were the biggest challenges/failures in implementing your LEDP (apart from the delays and disruptions caused by COVID-19 pandemic)? Try to identify reasons why things didn’t work.
3. What is the probability of achieving the major objectives of your LEDP within the remaining implementation period of your LEDPs?
4. What are the main positive things you have learnt while planning and implementing measures for stimulating local economic growth?
5. What would you have done differently next time? Try to formulate lessons learnt from this experience.

# **Annex 2. List of the Local Economic Development Officers interviewed**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Date** | **Name, Surname** | **Position** |
| Kapaz | 10.08.2020 | Elshad Mamedov | Head of the Committee on Economy, Kapaz municipality of Ganja city |
|
| Icherisheher | 11.08.2020 | Aygul Ismayilova | Specialist of the Tourism Department of the Scientific and Cultural Center of the Icherisheher State Historical and Architectural Reserve  |
|  | Javid Kazimov | Director of the Scientific and Cultural Center of the Icherisheher State Historical and Architectural Reserve  |

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